

# Public Retirement Systems Committee

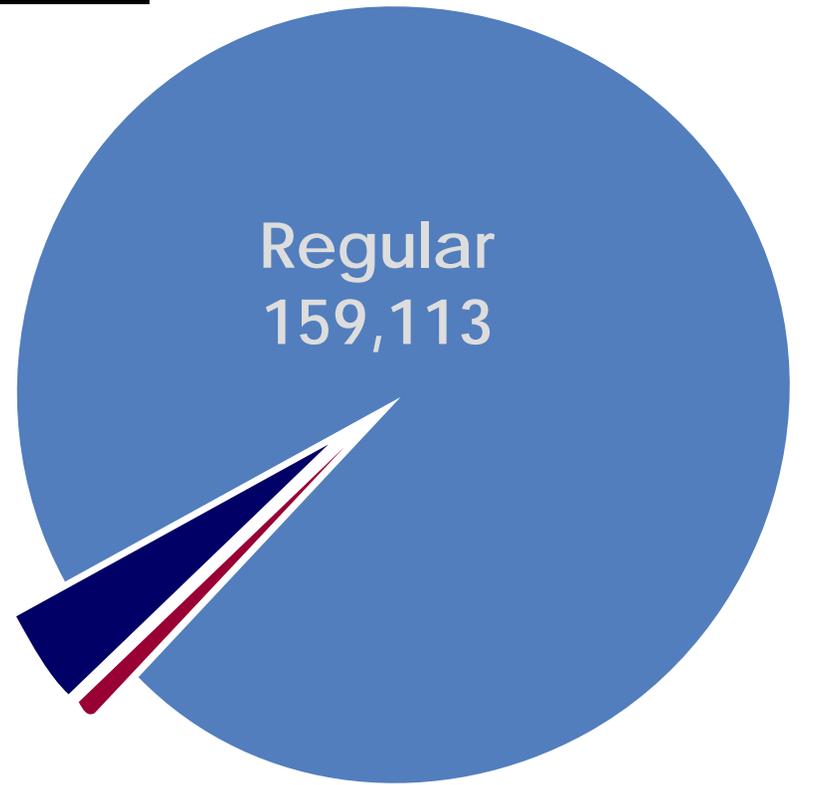
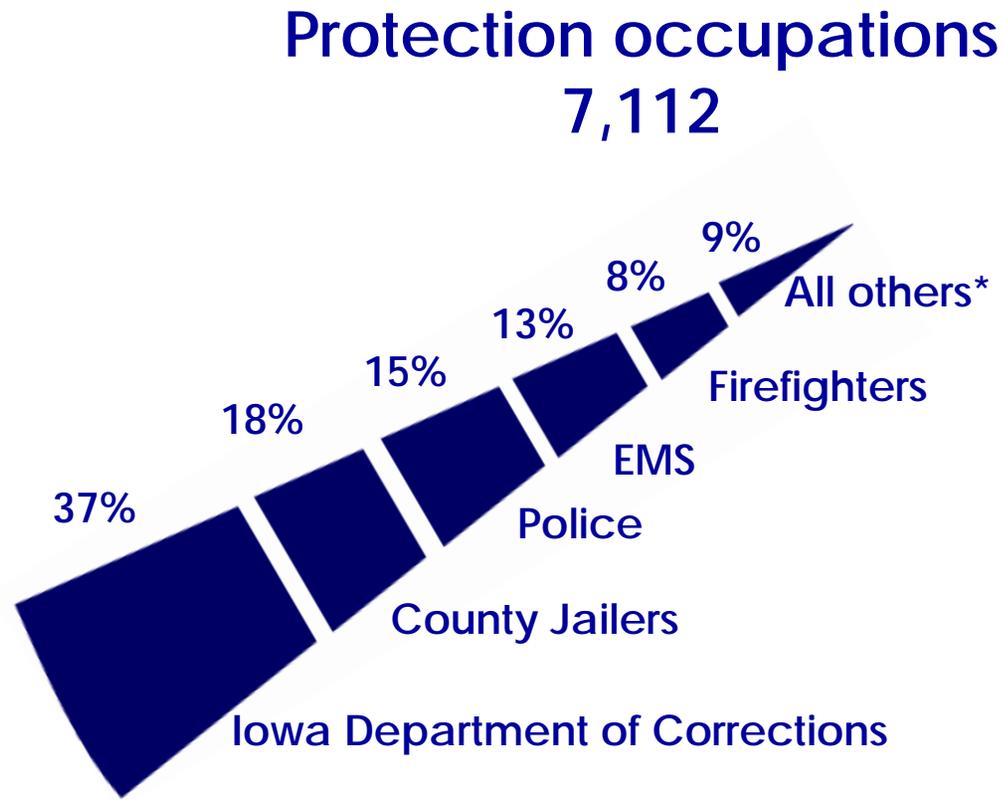
## November 19, 2009



Donna M. Mueller, CEO

# IPERS Follow-up

# IPERS active members



**Sheriffs and deputies**  
1,492

\*Includes conservation and transportation officers; airport fire and safety; others

# FY2011 contribution rates

	Contribution Rate FY2011	Actuarial Rate FY2011	Funded Ratio FY2009
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<b>Regular members</b> <i>(Employer 60%/employee 40%)</i>	11.45%	14.12%	80.5%
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## Special Service members\*

<b>Sheriffs and deputies</b> <i>(Employer 50%/employee 50%)</i>	17.88%	17.88%	91.0%
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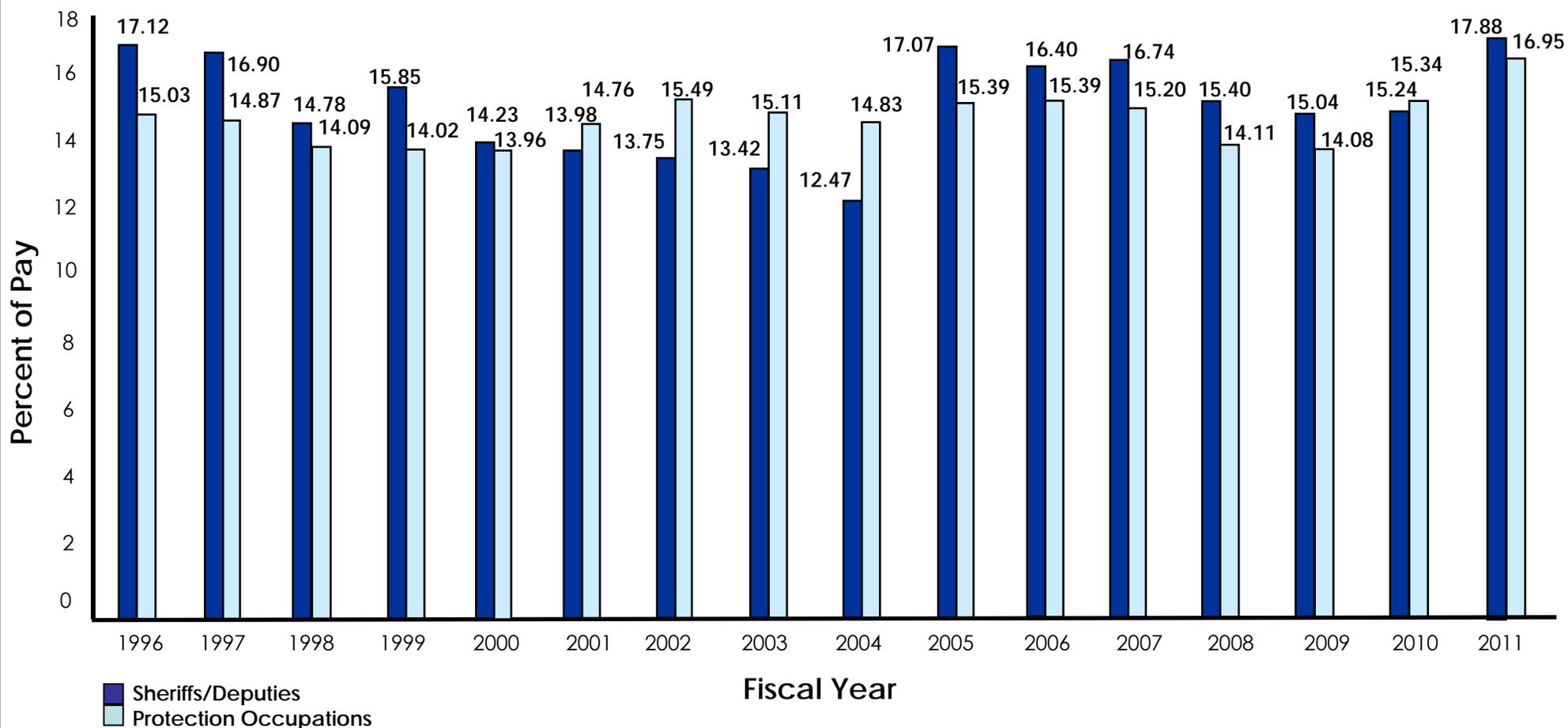
<b>Protection occupations</b> <i>(Employer 60%/employee 40%)</i>	16.59%	16.59%	96.0%
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- \* Benefits for Special Service members are higher than those for regular members.
- May receive unreduced retirement benefits at age 55 regardless of years of service.
  - Sheriffs and deputies also may retire at age 50 with 22 years of service.

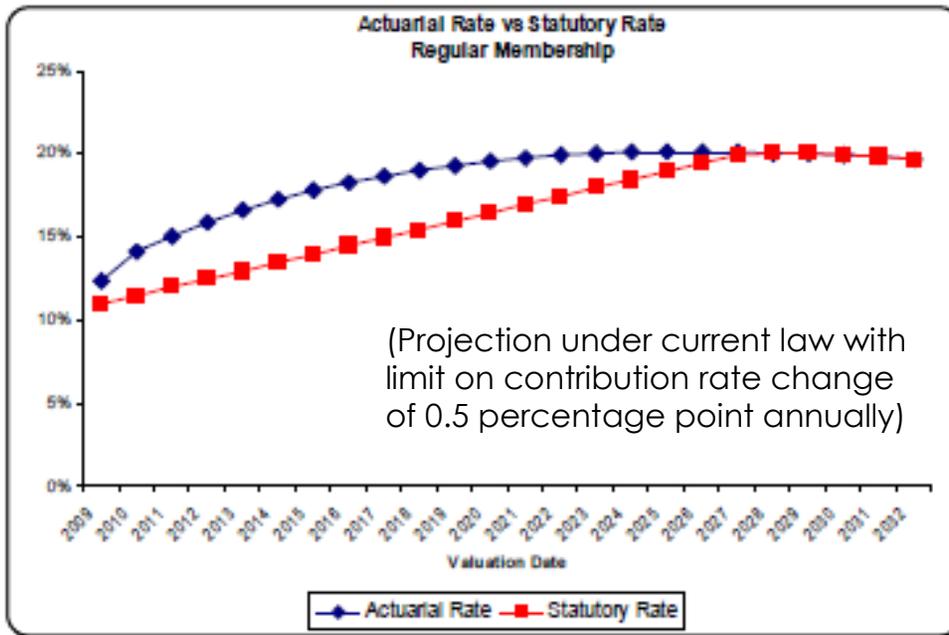
# Special Service contribution rates

Rates adjusted each year

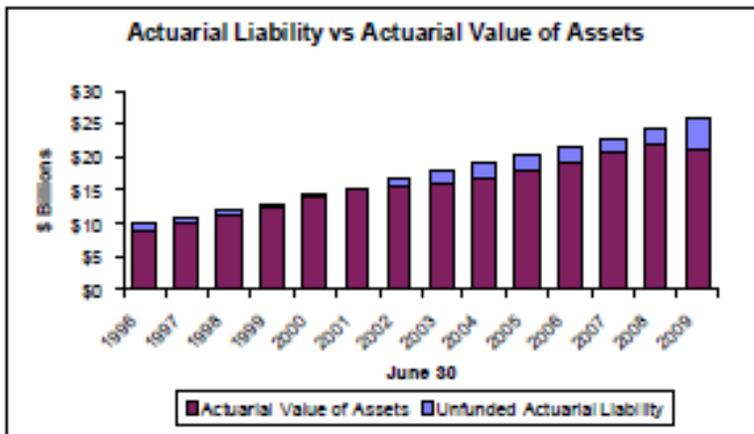
- Rulemaking process
- Rates stable over time, even with benefit increases



# Actuarial valuation as of June 30, 2009



Full report at [www.ipers.org](http://www.ipers.org) > publications



Unfunded Actuarial Liability, June 30, 2008 (\$ Millions)		\$ 2,665
• Expected increase from amortization method		+ 52
• Expected increase from contributions below actuarial rate		+ 140
• Investment experience		+ 1,903
• Liability and other experience (including transfers)		+ 135
<b>Unfunded Actuarial Liability before FED transfer, June 30, 2009</b>		<b>\$ 4,895</b>
• FED Transfer		+ 0
<b>Unfunded Actuarial Liability after FED transfer, June 30, 2009</b>		<b>\$ 4,895</b>

	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09
Funded Ratio	88.7%	88.4%	90.2%	89.1%	81.2%
Unfunded Actuarial Liability (UAL)	\$2,289	\$2,507	\$2,266	\$2,665	\$4,895

# BAC proposal reduces normal cost

Normal cost would drop  $\approx 90$  basis points, or about 9–10% less than current ( $\approx 9.9\%$ ) normal cost

Normal cost reflects the value of benefit earned this year

Normal cost expected to increase about  $\approx 40$ -50 basis points over the next 25 years as demographics change

## BAC recommendation

- Reduce benefits for early retirement by 6% from age 65 (Current reduction is 3% from Rule of 88, Rule of 62/20, or age 65)
- Increase vesting from 4 to 7 years
- Use high 5 earning years rather than high 3 in final average salary (Transition: snapshot of high 3 on effective date of change; compare to high 5 when retire; use higher of two.)
- Keep current multiplier with 65% maximum
- Keep Rule of 88 and Rule of 62/20
- 13.45% contribution rate on 7/1/11
- Yearly contribution rate change limit  $\pm 1.0$  percentage point (Current law 11.95% on 7/1/11 with  $\pm 0.5$  percentage point limit)
- Rate drop allowed when can use 30-year closed amortization period

Under the BAC recommendation, normal cost will be 40-50 basis points lower than it is now

# 1.0 percentage point limit on contribution rate change

0.5 percentage point above planned 0.5 percentage point

<b>EMPLOYER TYPE</b>	<b>MEMBER DIFFERENCE</b>	<b>EMPLOYER DIFFERENCE</b>	<b>TOTAL DIFFERENCE</b>
State	\$2,453,007	\$3,679,511	\$6,132,518
Regents	100,708	151,062	251,770
County	1,857,517	2,786,276	4,643,793
City	1,694,699	2,542,048	4,236,746
School	6,601,199	9,901,798	16,502,997
Community College	303,581	455,372	758,953
Other	368,458	552,687	921,144
<b>Per member ave.</b>	<b>80</b>	<b>121</b>	<b>201</b>

FY2012 estimate based on FY2009 wage reports and actuarial wage assumption

# Retirement systems shared services

Process Judicial and PORS retirement payrolls since FY2007

\$6 per annuitant annual processing fee

Average payroll processing cost

(Based on CEM Benchmarking's independent review of IPERS)

No added cost to amend I-Que contract and continue processing

More capabilities if resources to configure